



Minerals America

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BP MINERALS AMERICA

Minerals Exploration - Camden Office

August 20, 1988

Mr. Joseph J. Junghurth
Vice-President, Minerals
Scott Natural Resources
Scott Plaza
Philadelphia, PA 19113

Re: Barite Hill, S.C. Lease, Quarterly Activity Report,
Third Lease Quarter

Dear Joe:

Attached is an activity report as called for in Section 15 of the Exploration and Mining Lease between Brunswick Pulp Land Company and Amselco Minerals Inc. dated 20 Nov. 1987. Amselco continues to exist as a duly constituted Delaware corporation, although we now go by the style and name of our parent, BP Minerals America, while awaiting rationalization of the various corporate entities involved in last year's merger of BP North America into Sohio, Kennecott, et. al.

As I told you by telephone a few months ago, at the beginning of this year we finalized a joint venture agreement concerning the Barite Hill project with an Australian gold mining company, Hawk Investments, Ltd. Hawk is the majority owner of the famous Sons of Gwalia gold mine in Australia, which is a large rejuvenated open pit-heap leach operation on the site on the original underground 19th Century workings. Hawk also has interests in several smaller gold producers and owns a talc mine. Its vehicle for the joint venture with Amselco is a wholly-owned subsidiary, Gwalia Resources (International), Ltd.

The principal technical development over recent months at Barite Hill has been our development of a small reserve of open-pittable and heap leachable low grade gold ore on the Catawba and Rainsford tracts that adjoin Brunswick's land. Geophysics, soil sampling and trenching on the Brunswick tracts in the last lease quarter have not been terribly encouraging in our search for more gold mineralization, although assay results from some of the trenching are still pending. The most significant result on Brunswick land has been the narrow intercept (20 feet @ .048 oz/ton Au) in one trench near some old prospect shafts on the Jennings Trend. It may be that further trenching and some drilling can find enough mineralization here to develop a small reserve that can augment the deposits known on the adjacent lands.



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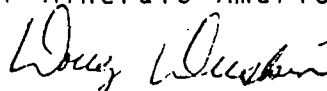
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Presently, Hawk is making expenditures to earn in to an interest in the project, which is beginning to appear to be too small to be operated efficiently by BP Minerals. In the near future we shall be holding discussions with our joint venture partner as to possible arrangements whereby Hawk may become Operator of the project. Should this scenario materialize, we shall be contacting you with the appropriate information as required by Section 24 of the Lease, regarding assignments.

If you have any questions about the above or the attached report, please call me.

Sincerely yours,

BP Minerals America



D. J. Duskin
Exploration Manager
Eastern USA

DJD/sl

Att:

cc: R. E. Pierce
G. R. Ball

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Barite Hill, Brunswick Lease Activity Report,
3rd Lease Quarter

In the last two quarters, the Barite Hill survey grid was extended northward from the Dorn tract to cover the Self alteration trend by brushing lines off a subsidiary baseline, north-south, 200 feet apart. This quarter, soil geochemical samples were taken on this grid, and showed a weak gold anomaly centered on the small prospect pit (Self Prospect). A backhoe trench was dug across the trend adjacent to the prospect pit, revealing weak alteration which returned no values $>.01$ oz/ton Au in the trench channel sampling. Results from a second trench to the east of the prospect pit are still pending, as well as soil geochemical analyses from the easternmost portion of the Self grid. Pending receipt of these results, no further work is planned on the Self Trend.

On the Jennings Trend, the survey grid was extended southwestward from the Dorn tract onto Brunswick land and geochemically sampled. Good Au soil values were obtained in the immediate vicinity of a cluster of old prospect pits and shafts. One trench (BHT-43) was dug across the alteration zone adjacent to these workings, and returned 20 feet of .048 oz/ton Au from channel samples. Additional trenches as step-outs on either side of BHT-43 are planned. If this narrow intercept can be improved or extended in additional trenching, drilling to test vertical continuity of the mineralization would be warranted here.